



टीएचडीसी इंडिया लिमिटेड THDC INDIA LIMITED

(भारत सरकार एवं उ.प्र.सरकार का संयुक्त उपक्रम)
(A Joint venture of Govt. of India & Govt. of UP)
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पत्रांक:टीएचडीसी/ऋषि/वाणि./F-124 / 893

दि.: 17.07.2023

सेवामे,

सचिव,
केंद्रीय विद्युत नियामक आयोग
तृतीय एवं चतुर्थ तल, चन्द्रलोक भवन
36, जनपथ, नई दिल्ली-110001

विषय: टैरिफ अवधि 01.04.2024 से 31.3.2029 के लिए टैरिफ विनियमों के नियमों और शर्तों पर एप्रोच पेपर पर टीएचडीसीआईएल की टिप्पणियाँ-

Sub: THDCIL comments on Approach Paper on Terms and Conditions of tariff regulations for the Tariff Period 1.4.2024 to 31.3.2029.

Ref: File No. L-1/268/2022/CERC Dated 26.05.2023

Sir,

Please find enclosed herewith THDCIL comments on THDCIL comments on Approach Paper on Terms and Conditions of tariff regulations for the Tariff Period 01.04.2024 to 31.3.2029.

'सादर'

भवदीय

टीएचडीसी इंडिया लिमिटेड की ओर से

(राजेश शर्मा)

महाप्रबंधक (वाणिज्यिक)
राजेश शर्मा / RAJESH SHARMA

महाप्रबंधक (वाणिज्यिक)

General Manager (Commercial)

टीएचडीसी इंडिया लिमिटेड, ऋषिकेश

THDC India Limited, Rishikesh

संलग्नक:

१. टीएचडीसीआईएल की टिप्पणियाँ (मूल प्रति + दो प्रतिलिपि)

प्रधान कार्यालय : गंगा भवन, प्रगतिपुरम, बाईपास रोड़, ऋषिकेश- 249201

Corporate Office : GANGA BHAWAN, PRAGATIPURAM, BYPASS ROAD, RISHIKESH - 249201

पंजीकृत कार्यालय : भागीरथी भवन (टॉप टैरिस), भागीरथीपुरम, टिहरी गढ़वाल-249001

Regd. Office: Bhagirathi Bhawan, (Top Terrace), Bhagirathipuram, Tehri Garhwal-249 001

टेलीफैक्स- 0135-2439463, Telefax: 0135-2439463, Website Adress: www.thdc.gov.in

("हिन्दी को राजभाषा बनाना, भाषा का प्रश्न नहीं अपितु देशाभिमान का प्रश्न है")

DRAFT COMMENTS ON APPROACH PAPER PUBLISHED BY HON'BLE CERC FOR TARIFF PERIOD 2024-29

Name of Company :

THDC India Limited

Sl.No.	Parameter/ Section No. of Approach Paper	Description	Comments/ Suggestions
1	Approach on Tariff Determination/ 3.1	<p>a) Normative Approach- Once capital costs are approved on an actual basis after prudence check, all other AFC components are determined on normative basis.</p> <p>b) Performance Based Hybrid Approach- On the basis of admitted capital cost, AFC components can be approved based on actuals or norms as may be specified for the control period. Further, additional capitalisation may be allowed on certain counts on a normative basis.</p>	<p>As on 31st May 2023, the total installed power capacity in India is 417.67 GW out of which Hydropower accounts for merely 11.22 per cent (46.85 MW). The percentage of Hydropower has come down from 45 per cent in 1970 to 11 per cent in 2022 which is too less to have an efficient and balanced grid for operation. To meet the country's energy demand at a faster pace and make up for the lost time, development of Mega hydropower projects is an essential requirement. However, hydropower projects developers are extremely demotivated by the plethora of issues being encountered by the sector. The wide ranging challenges include financial, environmental, social, regulatory and logistical or infrastructural issues. However, these issues can be tackled effectively through socio-political intervention and appropriate regulatory framework. Therefore, to motivate the developer for investment in hydro sector, it is suggested that performance based hybrid approach for tariff determination may be adopted. However, actual additional capital expenditure should be allowed for Force Maejure, Change in Law, R&R works, expenditure incurred for efficient running of plants & replacement of defective assets in case of non-availability of services etc. It is also suggested that separate petition may be submitted for additional capital expenditure to reduce the lead time for finalisation of tariff petition.</p>
2	Capital Cost/ 4.2.1	The provision for interim-tariff can, therefore, be continued in the next tariff period as well. However, comments and suggestions are sought from stakeholders on the continuation of the said provision.	The provision for interim tariff should be continued to avoid cash crunch for developers between the commissioning of project and finalisation of final tariff by the Commission. Further, this provision shall also reduce the financial burden of DISCOMs. Further, Hon'ble commission is requested to allow interim tariff post COD of Project upto 90% of submitted capital cost so that Generator have at least some amount of cash flow.
	4.2.2	Need to mandatorily award work and services contracts for developing projects under the regulated tariff mechanism through a transparent process of competitive bidding, duly complying with the policy/guidelines issued by the Government of India as applicable from time to time.	The work and services contracts for developing projects under the regulated tariff mechanism should be awarded through a transparent process of competitive bidding, duly complying with the policy/guidelines issued by the Government of India as applicable from time to time. This action shall also help in viability of the project as well as in reduction of the tariff. Further, under construction Project which are under NCLT litigations must be kept away from this process.
	4.2.3	Reference Cost for Approval of Capital Cost – Benchmark Cost V/s Investment Approval Cost	Benchmarking of large hydro projects is complex and difficult as development of hydro projects involve various uncertainty, R&R & land acquisition issues, Law & Order issues, Right of way, long construction period etc. Therefore, present practice should be continued as presently RCE of the Project is vetted through various Govt. agencies viz, CEA/CWC, PIB and CCEA.



राजेश शर्मा / RAJESH SHARMA
 महाप्रबंधक (वाणिज्यिक)
 General Manager (Commercial)
 टीएचडीसी इंडिया लिमिटेड, ऋषिकेश
 THDC India Limited, Rishikesh

	4.2.4	Ways to expedite the development of hydro generating stations especially the construction phase, and increase their commercial acceptability	The land acquisition and forest clearances takes huge time for under construction hydro projects which resulted into time & cost over run. To avoid time & cost run of the project, SPV may be created for obtaining all mandatory approvals and clearances. Concerned Central and State Govt. officials should also be part of SPV. Further, higher return on investment/ equity (like 0.5% extra return on equity) should be given for projects completed before schedule time. Further, Govt. of India may frame policy for financial institutions for arranging soft loan for renewable projects and this step shall motivate the developer for investment as well as reduce the tariff. Further, expenses towards the advancement of the Local Area are required for the development of the project and for alleviating public resistance and delays as part of capital cost should be part of budgetary support as per Ministry of Power guideline for funding the infrastructure.
	4.2.4	Incentivise the developer if it executes the project faster/ or ahead of schedule and vice-versa if it delays.	As per present practice, capital cost including time and cost run is approved by the Commission only after prudence check. Therefore, any delay in execution of project attributable to developer is to be borne by them. As such, present practice should be continued.
	4.3	Historical Cost or Acquisition Value whichever is lower should be considered for the determination of tariff post approval of Resolution Plan.	The actual cost including expenditure incurred for acquisition borne by the developer should be considered. Further, cost of debt of servicing should be allowed.
3	Price Variation 4.5	Price variation corresponding to delay	Hon'ble Commission has proposed for reduction in hard cost for the delay period not condoned though Commission is already reducing the Capital cost by reducing IDC & IEDC for delay period not condoned. Further, By doing so in micro level, Hon'ble Commission is making more complex/complicated instead of simplifying it. Therefore Price Variation corresponding to delay should be allowed.
4	Renovation and Modernisation (R&M) / 4.6	Continuation of the existing provisions and on the above suggestion of continuing with Special Allowance, if opted at the beginning of the tariff period for the rest of the tariff period.	Construction of new projects involve huge capital investment as well as a lot of time. As such, if project life can be increased through R&M, the same may be preferred in place of construction of new project. This will be beneficial of end consumers because of lower tariff. Further, Hon'ble Commission is requested to allow Debt: Equity ratio of 50:50 to incentivize the developer for R&M.
5	Controllable and Un-Controllable Factors / 4.8.1	Continued inclusion of delay on account of land acquisition as an uncontrollable factor and on the further inclusion of delay on account of forest clearances as an uncontrollable factor.	Developer is dependent on external agencies for the land acquisition and forest clearances. Mostly, the delay land acquisition and forest clearances is beyond the control of developer, therefore, the same should be considered as an uncontrollable factor. Forest clearance till actual handing over of site to Project Developer from Forest department should also be considered as Uncontrollable factor.
6	Servicing Impact of Delay/ 4.9	To encourage rigorous pursuit of such approvals from statutory authorities, even if delay beyond SCOD on account of clearances and approvals that are condoned, some part of the cost impact (Say 20%) corresponding to the delay condoned may be disallowed. Alternatively, RoE corresponding to cost and time overruns allowed over and above project cost as per investment approval may be allowed at the weighted average rate of interest on loans instead of a fixed RoE The current mechanism of treating time overrun may be continued, considering that utilities are automatically disincentivised if the project gets delayed.	Disallowing of any cost corresponding to delay condoned should not be considered. The current mechanism of treating time overrun may be continued, considering that utilities are automatically disincentivised if the project gets delayed.


राजेश शर्मा / RAJESH SHARMA
 महाप्रबंधक (वाणिज्यिक)
 General Manager (Commercial)
 टीएचडीसी इंडिया लिमिटेड, ऋषिकेश
 THDC India Limited, Rishikesh

7	Additional Capitalisation/ 4.10	Any items that cost below Rs. 20 lakhs that may be in the nature of minor items such as tools and tackles, and those pertaining to Capital Spares may be allowed only as part of O&M expenses and may not be considered as part of additional capitalisation in case of both thermal and hydro generating stations. Further, any major capital spares costing above Rs. 20 lakh may form part of the special compensation.	May be reduced to 5 lakhs.
8	Depericiation/ 4.13	Depreciation rate may be specified considering a loan tenure of 15 years instead of the current practice of 12 years. Further, additional provisions may also be specified that allow lower rate of depreciation to be charged by the generator in the initial years if mutually agreed upon with the beneficiary(ies).	Depreciation rate may be specified considering actual loan tenure of project instead of the current practice of 12 years. Further, additional provisions may also be specified that allow lower rate of depreciation to be charged by the generator in the initial years if mutually agreed upon with the beneficiary(ies). Further, depreciation rate may be kept considering repayment of loan within the loan tenure as specified by Commission.
9	Interest on Loans/ 4.14	The weighted average actual rate of interest of the generating company or transmission licensee may be considered instead of project specific interest on loans. Further, the cost of hedging related to foreign loans be allowed on an actual basis, without allowing any actual FERV.	Present practice should be continued. Further, FERV should be allowed on actual basis.
10	Rate of Return on Equity/ 4.16	Review of Rate of RoE to be allowed, including that to be allowed on additional capitalisation that is carried out on account of Change in Law and Force Majeure.	On the basis of the need of the country and to attract the investment in the power sector, it is suggested that rate of equity should be same for additional capitalisation as in the case of original project cost.
		Whether the revised rate of RoE to be made applicable to only new projects or to both existing and new projects?	
		Whether timely completion of hydro generating stations can be incentivised to attract investments?	
		Merit behind approving different Rate of RoE to thermal, hydro generation and transmission projects with further incentives for dam/reservoir based projects including PSP.	Hydro Projects are peaking stations and also suitable for Ancillary Services. Therefore, higher ROE should be considered.
11	Interest on Working Capital (IoWC) 4.18	Interest on Working Capital	Water usage charges/ water cess and other taxes, which are allowed by commission for tariff, should be part of Working Capital as payment is being realized/reimbursed from DISCOMs after 45 days.
12	Sharing of Gain/ 4.21	Any modification in the sharing mechanism that may be required	It has been observed in the past that in case of hydro projects, amount of sharing of gain on account of Auxilliary Consumption is not substantial. However, it requires, a lot of time, calculations, paper work etc. Therefore, for simplication purpose, it is suggested that hydro projects may be excluded for sharing of the above gain.
13	Treatment of interest on differential tariff after truing up 4.23	In order to streamline the rate of interest on the differential amount, the current practice of allowing a simple interest rate as per Regulation 10(7) in the 2024-29 tariff block may be continued. Further, interest may be allowed to be charged on the differential amount by the utility only until the issuance of the order, and no interest may be allowed during the recovery in six equal monthly instalments.	(i) It is suggested that in case total amount is not substainial, the amount should be paid in one installment and in other cases the maximum limit of installment should be three. Further, in case amount is to be paid in more than one installment, interest may also be allowed during recovery of installment. (ii) It is also suggested that in place of consideration of year-wise rate of interest for period of differential tariff, weighted average rate of interest for period of differential tariff may be considered. This shall help in simplification of interest calculations.


राजेश शर्मा / RAJESH SHARMA
 महाप्रबंधक (वाणिज्यिक)
 General Manager (Commercial)
 टीएचडीसी इंडिया लिमिटेड, ऋषिकेश
 THDC India Limited, Rishikesh

14	NAPAF/ Review of existing norms 5.1.1	Review of NAPAF for hydro projects by considering past years	<p>To review the Normative Plant Availability Factor(NAPAF) of the plant, past year's Plant Availability Factor are relevant, on the assumption that the plant will persist in its operations under identical operating conditions, however in the case of Tehri HPP and Koteshwar the deviation in existing operational methodology is expected owing to the followings:</p> <p>(a) Commissioning of Tehri PSP(4x250MW): Tehri Pumped Storage Project is in advanced stage of commissioning, it is an integral part of Tehri Power Complex, which consist of Tehri HPP, Koteshwar HEP and Tehri PSP. Tehri reservoir is common for Tehri HPP and PSP, and it shall act as upstream reservoir for Tehri PSP and Koteshwar reservoir shall be act as balancing reservoir. The Operation of Tehri PSP in turbine mode and pumped shall affects the daily pattern of reservoir level and available head for Tehri HPP and Koteshwar HEP. Hence, past available data of PAF shall not be true representatives of to review the NAPAF these plants. In view of the above, the NAPAF of these plants may be revised to its Designed value.</p> <p>(b) Change in Regulation : Impact of Regulation 45 clause 8(a) of CERC(IEGC) Regulations, 2023, which restrict hydro station to declare ex-bus declare capacity to 100% MCR less aux consumption, and allow to exceed during high inflow season. In view of the above, NAPAF of Tehri HPP and Koteshwar HEP may be restored to its Design Calculation i.e.77% for Tehri HPP and 67% for Koteshwar HEP. This may be reviewed once plant' PAFs are available after commissioning of Tehri PSP.</p>															
15	Recovery of Energy Charge for Hydro Generating Stations / 5.1.2	ways to simplify the tariff recovery process for hydro generating stations	<p>Hydrological risks resulted into shortfall in Energy Generation and NAPAF of plant. In the instances of Tehri HPP and KHEP, the hydrological risks adversely impact both the Energy Generation and PAF of the plants. Furthermore, in the case of Koteshwar HEP, both its Energy Generation and PAF are significantly reliant on the quantity of water released. The extent of the plant's capacity's dependence on water release is expounded upon as follows:</p> <table border="1" data-bbox="1160 858 2092 1005"> <thead> <tr> <th>Sr. No</th> <th>Discharge</th> <th>Plant Capacity in MW</th> </tr> </thead> <tbody> <tr> <td>1</td> <td><= 150 Cumecs</td> <td>100 MW</td> </tr> <tr> <td>2</td> <td>150- 170 Cumecs</td> <td>200 MW</td> </tr> <tr> <td>3</td> <td>180-220 Cumecs</td> <td>300 MW</td> </tr> <tr> <td>4</td> <td>>= 220 Cumecs</td> <td>400 MW</td> </tr> </tbody> </table> <p>Hence, Hydrological risk affects both way in shortfall of the recovery of AFC. Therefore, it is suggested that the both risk of under recovery of capacity charge and energy charge should be allowed to developer. It is also suggested, the above risk sholud be allowed on the basis of certification of appropriate authority and need not to submit seperate petition for recovery of shortfall. This will help in reduction of regulatory burden as well as timely recovery of due amount.</p>	Sr. No	Discharge	Plant Capacity in MW	1	<= 150 Cumecs	100 MW	2	150- 170 Cumecs	200 MW	3	180-220 Cumecs	300 MW	4	>= 220 Cumecs	400 MW
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राजेश शर्मा / RAJESH SHARMA
 महाप्रबंधक (वाणिज्यिक)
 General Manager (Commercial)
 टीएचडीसी इंडिया लिमिटेड, ऋषिकेश
 THDC India Limited, Rishikesh

16	Incentives/ 5.10	Incentives linked with generation	To encourage Hydro plants and to incentivized to operate as peaking plants, the following supplementary incentives could be contemplated: The Energy Charge Rate during peak hours could be raised, correlating it with the prevailing market rate.
17	Separate Norms for ROR/Storage Based Hydro Projects/ 6.1	Considering the anticipated increase in peaking loads, these stations may be incentivised to operate as peaking plants. One way to do so is by providing additional incentives for energy supplied during peak periods. Comments and suggestions on the above proposal and any alternative solutions, if any.	

Other Comments

18		As per Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020 clause 12 states that : "12. Transmission Deviation (1) Transmission Deviation, in MW, shall be computed as under: (a) For a generating station, net metered ex-bus injection, in a time block in excess of the sum of Long Term Access, Medium Term Open Access and Short Term Open Access: Provided that for a hydro-generating station, overload capacity of 10% during peak season shall be taken into account."	Tehri HPP (4x250MW) provides Primary response and secondary response to grid continuously as and when required as per existing norms. These response are mandated through various regulation/ grid code and also critical for grid security. Units of Tehri HPP runs in overload capacity while supporting grid through primary and secondary response during both peak and off peak season and this overload support falls under transmission deviation and accordingly transmission deviation charges are payable by the Tehri HPP. Since, these transmission deviation occurred due to these primary (RGMO/ FGMO) and secondary response (Automatic generation control) and are provided for grid security. Therefore, provision for recovery of these charges by generating company should also be made in tariff regulation.
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राजेश शर्मा / RAJESH SHARMA
महाप्रबंधक (वाणिज्यिक)
General Manager (Commercial)
टीएचडीसी इंडिया लिमिटेड, ऋषिकेश
THDC India Limited, Rishikesh